



INTERNAL AUDIT DIVISION

REPORT 2016/092

Audit of vehicle and fuel management
in the United Nations Peacekeeping
Force in Cyprus

Overall results relating to the effective
management of vehicle and fuel operations
were initially assessed as partially
satisfactory. Implementation of 10 important
recommendations remains in progress

FINAL OVERALL RATING: PARTIALLY
SATISFACTORY

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CONTENTS

	<i>Page</i>
I. BACKGROUND	1
II. OBJECTIVE AND SCOPE	1-2
III. AUDIT RESULTS	2-11
Regulatory framework	3-11
IV. ACKNOWLEDGEMENT	12
 ANNEX I Status of audit recommendations	
 APPENDIX I Management response	

AUDIT REPORT

Audit of vehicle and fuel management in the United Nations Peacekeeping Force in Cyprus

I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of vehicle and fuel management in the United Nations Peacekeeping Force in Cyprus (UNFICYP).
2. In accordance with its mandate, OIOS provides assurance and advice on the adequacy and effectiveness of the United Nations internal control system, the primary objectives of which are to ensure: (a) efficient and effective operations; (b) accurate financial and operational reporting; (c) safeguarding of assets; and (d) compliance with mandates, regulations and rules.
3. UNFICYP has a fleet of 297 vehicles comprising 169 United Nations-owned, 32 contingent owned and 96 commercially rented vehicles. The Mission outsourced vehicle maintenance and repair services including the provision of spare parts. It incurred expenditure of approximately \$1 million per annum for fuel on ground transportation, air transportation and facilities infrastructure such as generators and heating systems. The expenditure on vehicle and fuel management is summarized in Table 1.

Table 1: Approved budgets and expenditure (including commitments) (in \$'000)

Description	Financial year 2014/15		Financial year 2015/16	
	Approved budget	Expenditure	Approved budget	Expenditure (as at 31/3/2016)
Vehicle management (excluding fuel)	1,895	1,656	1,521	1,472
Fuel for ground transportation	994	681	634	575
Fuel for air transportation	231	152	159	137
Fuel for facilities infrastructure	348	174	202	228
Total	3,468	2,663	2,516	2,412

Source: Umoja reports

4. UNFICYP Service Delivery Section is responsible for managing the Mission's vehicle fleet and fuel operations. The Section is headed by a Field Service (level 6) staff member, assisted by two local staff in the Fuel Unit and 18 local staff in the Transport Unit, with total annual staffing costs of \$1.4 million.
5. Comments provided by UNFICYP are incorporated in italics.

II. OBJECTIVE AND SCOPE

6. The audit was conducted to assess the adequacy and effectiveness of UNFICYP governance, risk management and control processes in providing reasonable assurance regarding the **effective management of vehicle and fuel operations in UNFICYP**.

7. The audit was included in the 2016 risk-based work plan of OIOS because of the operational and financial risks relating to the management of the vehicle and fuel operations.

8. The key control tested for the audit was regulatory framework. For the purpose of this audit, OIOS defined this control as one that provides reasonable assurance that policies and procedures: (i) exist to guide the management of vehicle and fuel operations; (ii) are implemented consistently; and (iii) ensure the reliability and integrity of financial and operational information.

9. The key control was assessed for the control objectives shown in Table 2.

10. OIOS conducted this audit in March and April 2016. The audit covered the period from 1 July 2014 to 31 March 2016. The audit was conducted at UNFICYP Headquarters in Nicosia.

11. OIOS conducted an activity-level risk assessment to identify and assess specific risk exposures, and to confirm the relevance of the selected key controls in mitigating associated risks. Through interviews, analytical reviews and tests of controls, OIOS assessed the existence and adequacy of internal controls and conducted necessary tests to determine their effectiveness.

III. AUDIT RESULTS

12. The UNFICYP governance, risk management and control processes examined were initially assessed as **partially satisfactory**¹ in providing reasonable assurance regarding the **effective management of vehicle and fuel operations in UNFICYP**. OIOS made 10 recommendations to address issues identified.

13. UNFICYP had not convened the Vehicle Establishment Committee (VEC) for the past 2½ years to review and determine whether the current vehicle holdings were optimal. UNFICYP spent \$6.6 million on rented vehicles over the past five years instead of purchasing vehicles to replace the 96 vehicles it was renting and 62 of the Mission's aged vehicles. Also, the Mission did not recover \$206,000 for welfare trips of 737,000 kilometers undertaken by military personnel during the audit period. Controls over monitoring of duty and liberty trips were manual and ineffective because the required carlog system with global positioning system had not been installed. Further, controls over vehicle maintenance and handling of traffic violations and accidents needed improvement. For fuel operations, the Mission needed to: (i) implement the electronic fuel management system (eFMS); (ii) re-assess the configuration of generators for fuel efficiency; and (iii) strengthen staffing capacity of the Fuel Unit to improve monitoring of fuel consumption and implementation of safety measures. In addition, UNFICYP needed to re-establish the contract management function to improve controls over the management of its fuel and vehicle related contracts.

14. The initial overall rating was based on the assessment of the key control presented in Table 2 below. The final overall rating is **partially satisfactory** as implementation of 10 important recommendations remains in progress.

¹ A rating of “**partially satisfactory**” means that important (but not critical or pervasive) deficiencies exist in governance, risk management or control processes, such that reasonable assurance may be at risk regarding the achievement of control and/or business objectives under review.

Table 2: Assessment of key control

Business objective	Key control	Control objectives			
		Efficient and effective operations	Accurate financial and operational reporting	Safeguarding of assets	Compliance with mandates, regulations and rules
Effective management of vehicle and fuel operations in UNFICYP	Regulatory framework	Partially satisfactory	Partially satisfactory	Partially satisfactory	Partially satisfactory
FINAL OVERALL RATING: PARTIALLY SATISFACTORY					

Regulatory framework

a. Vehicle management

Need to review vehicle establishment and phase out the vehicle rental contract

15. The Department of Peacekeeping Operations/Department of Field Support (DPKO/DFS) Manual on Surface Transport Management requires missions to establish a VEC and convene it at least once a year to review and establish the optimal level of the vehicle fleet to support mission operations based on various factors such as statistics on staffing and vehicle utilization. VEC is also responsible for developing a vehicle acquisition and disposal programme for inclusion in budget proposals to the General Assembly. According to the Manual, commercial rental of vehicles is permitted only to meet temporary requirements with proper justification on a case-by-case basis.

16. OIOS review of relevant mission records and interviews with Mission personnel indicated that the Committee was not convened for more than two years. Also, there was no acquisition and disposal programme to replace the Mission's old vehicle fleet. The average age of the 169 United Nations owned vehicles was 10 years with mileage of 138,000 kilometers. Sixty-two vehicles had mileage ranging from 150,000 to 572,000 kilometers. UNFICYP had rented vehicles, contrary to the Manual provisions. The current vehicle rental contract was established in October 2010, costing \$6.6 million up to 31 March 2016. The Mission did not develop a cost-effective plan to purchase vehicles and phase out the rental contract, despite a request in April 2015 by the Advisory Committee of Administrative and Budgetary Questions (ACABQ).

17. VEC was not convened because the Mission incorrectly interpreted that VEC deliberations were not required since there was no change in the authorized military and staffing strength. The Mission stated that it did not develop the plan requested by ACABQ due to possible resolution of settlement issues in Cyprus and subsequent changes in the Mission's mandate. However, the Mission did not have a formal plan to draw down or change its operations that could potentially affect the size of the vehicle fleet over the next few years.

18. As VEC was not convened, the Mission's vehicle stock level was not reviewed and adjusted, leading to a possible excess that allowed for the Mission's vehicles to be used extensively for liberty and welfare trips of 876,000 kilometers during the audit period. Renting of vehicles for long periods of time, instead of developing an acquisition plan, deprived the Mission of the opportunity to use the funds more economically. According to a cost-benefit analysis by the Transport Unit, \$3.7 million of the \$6.6 million paid for the vehicle rental contract from October 2010 to March 2016 could have funded the purchase of the 96 rented vehicles and maintained them for five years; and the remaining \$2.9 million was sufficient

to replace the aforementioned 62 United Nations owned vehicles with mileage ranging from 150,000 to 572,000 kilometers.

(1) UNFICYP should: (i) convene a meeting of the Vehicle Establishment Committee to define and establish the optimal size of its vehicle fleet based on operational requirements; and (ii) develop and implement a cost-effective plan to phase out the 96 rented vehicles and use the savings to replace the old vehicle fleet.

UNFICYP accepted recommendation 1 and stated that a VEC meeting was convened in June 2016 to review the vehicle fleet. A follow-up meeting would be held in August 2016 to review progress on the implementation of agreed actions and recommendations. In addition, the new vehicle rental contract that came into effect in July 2016 already reflected a plan for scaling down the rented fleet by 20 per cent. The Mission would re-evaluate the benefits of gradually replacing the leased vehicles with United Nations-owned vehicles. Recommendation 1 remains open pending receipt of VEC meeting minutes and a plan for phasing out rented vehicles.

Need to upgrade carlog and implement a movement of personnel system

19. The DPKO/DFS Manual on Surface Transport Management requires UNFICYP to install the carlog system in all vehicles to automate processing of trip tickets and to effectively monitor vehicle utilization. Missions are required to provide justification for vehicles without the carlog system and obtain the approval of the Head of Mission for the exception. UNFICYP procedures on security clearance require mission personnel to complete a movement of personnel (MOP) form for official travels outside Nicosia.

20. OIOS review of Mission records and interviews with Mission management showed that:

- The carlog system was installed in 268 of 297 mission vehicles but the system did not have the required global positioning system (GPS) functionality. UNFICYP explained that it initially considered the cost of upgrading the system with GPS (estimated at \$500 per unit and \$150,000 for the entire fleet) too high compared to the risk of vehicle theft or hijacking in the country. However, the Mission plans to complete installing upgraded carlog systems with a number of additional features to monitor vehicle utilization by September 2016. It would also submit an updated list of vehicles that could not be fitted with carlog due to obsolete technology to the Head of Mission for approval. In light of actions being taken by UNFICYP, OIOS did not make a recommendation on this issue; and
- Mission staff did not always complete MOP forms prior to undertaking road trips outside Nicosia. The lack of enforcement of this requirement was because the Mission did not assign responsibility to monitor compliance. The Mission also did not remind its personnel of this requirement in the past two years. As a result, UNFICYP could not effectively track staff location for security reasons.

(2) UNFICYP should: (i) assign responsibility to monitor compliance with the requirement to report movement of personnel outside Nicosia by road; and (ii) remind its personnel of the requirement and take action to enforce it.

UNFICYP accepted recommendation 2 and stated that the Mission would issue an administrative instruction on the requirement to report the movement of personnel and assign section/unit chiefs and the Transport Unit to monitor such compliance. Recommendation 2 remains open pending

receipt of the administrative instruction.

Controls over usage of official vehicles needed to be strengthened

21. The DPKO/DFS Manual on Surface Transport Management states that mission vehicles can be used for liberty and welfare trips on a cost recovery basis, provided that the trips do not interfere with operations.

(a) Charges for welfare trips by military personnel were not collected

22. UNFICYP information circular 2014-079 states that the Mission does not impose charges for duly authorized welfare trips for groups of 10 military personnel or more. For all other welfare trips, the cost of vehicle utilization will be deducted from the welfare fund allocated to the military contingents. If welfare funds are depleted, the respective military contingent is responsible to reimburse the Mission for the cost of these trips.

23. OIOS review of billing records for welfare trips by military personnel showed that the Mission prepared billing statements for them, excluding those organized by the Mission for groups of 10 personnel or more, but did not initiate collection of the charges. The total amount to be collected from military personnel was \$206,000 for a total distance of 737,000 kilometers during the 21-month audit period from July 2014 to March 2016.

24. The charges were not collected because the Head of Mission did not make a clear decision to enforce the information circular. During the audit, the senior management team started reviewing the policy but OIOS did not receive documentation on their decision. As a result of not collecting welfare trip charges, the Mission lost the opportunity to use the \$206,000 to fund other operational needs.

(3) UNFICYP should: (i) develop and implement a mechanism to recover welfare trip charges from its military personnel; and (ii) explore the possibility of recovering prior period charges.

UNFICYP accepted recommendation 3 and stated that the Mission issued an administrative circular on the use of official vehicles for welfare purposes in July 2016 and would also initiate actions to recover costs of welfare trips for the financial year 2015/16. Recommendation 3 remains open pending receipt of evidence that a mechanism to collect welfare trip charges has been implemented and recoveries for the financial year 2015/16 (estimated at approximately \$130,000) have been made.

(b) The Mission policy on use of vehicles needed clarification

25. The DPKO/DFS Manual on Surface Transport Management states that staff serving at family duty stations like UNFICYP are responsible for arranging their transportation to and from work. The Manual also states that the Chief of Mission Support may authorize transportation by mission vehicles to and from work if an assessment of local conditions indicated security concerns. Rented or leased vehicles cannot be used for liberty or welfare trips.

26. OIOS review of trip records of 9 of the Mission's 29 international staff members for the period July 2015 to March 2016 showed that:

- The Mission did not conduct an assessment of local conditions but allowed staff members to use official vehicles for commuting to and from work and private trips within Nicosia. Staff members declared these trips as duty trips on trip tickets;
- The Mission did not establish any limits on the use of vehicles for liberty and welfare trips, despite its aging vehicle fleet; and
- The Mission allowed its personnel to use rented vehicles for liberty and welfare trips instead of having staff make their own arrangements.

27. The above occurred because the Mission did not establish a clear policy on the use of Mission vehicles for commuting and assess the impact of such trips on its aging vehicle fleet. Also, the Mission incorrectly interpreted that vehicles rented on a long term basis could be used for liberty and welfare trips. This contributed to excess vehicles and rental charges, although such financial exposures could not be quantified due to absence of reliable data.

(4) UNFICYP should issue an administrative instruction on the use of official vehicles for liberty and welfare trips and monitor compliance. The instruction should outline the policy to collect liberty charges for private trips in Nicosia and commuting to/from work, discontinue the use of rented vehicles for liberty and welfare trips, and limit the use of official vehicles for non-duty trips to avoid wear and tear of the Mission fleet.

UNFICYP accepted recommendation 4 and stated that it was, in consultation with United Nations Headquarters, drafting an administrative instruction on collecting liberty charges for non-duty trips. Recommendation 4 remains open pending receipt of the administrative instruction and evidence that it is being complied with.

Mission management needed to strengthen monitoring over transport operations

28. The Transport Unit is responsible for efficient and effective ground transportation operations. Accordingly, the Unit is expected to establish adequate monitoring procedures to ensure compliance with DPKO/DFS Manual on Surface Transport Management and various UNFICYP guidance on the use and maintenance of vehicles.

29. The Mission charged and collected \$39,000 during the audit period from international civilian staff for liberty trips. However, a comparative review of trip tickets against carlog and MOP records for 9 of the Mission's 29 international staff members for the period July 2015 to March 2016 showed that: (i) they did not properly complete trip tickets as they omitted details such as the destination and purpose of the trips and recorded trips after hours and on weekends and holidays as duty trips; (ii) 7 staff did not obtain the required prior approvals from their supervisors for liberty trips; and (iii) 2 staff used official vehicles while on leave for trips totaling 875 kilometers. Further, the Mission did not initiate accountability measures including reporting of possible misconduct in cases of noncompliance by staff with the reporting requirements on liberty trips.

30. OIOS review of vehicle maintenance records and interviews with Mission personnel showed that the Mission considered cost-effective approaches and outsourced vehicle repairs and maintenance services. However, the Transport Unit did not keep proper maintenance records for 68 (40 per cent) of the 169 United Nations owned vehicles and thus could not provide assurance that these vehicles were maintained at the required intervals. Seventy-five of the remaining 101 vehicles were serviced at intervals of 10,000 kilometers instead of every 5,000 kilometers as required by the standard operating

procedures for the UNFICYP Transport Unit. This was because the Transport Unit considered a maintenance interval of every 10,000 kilometers for these vehicles as acceptable. However, 26 were serviced at intervals of 10,000 to 22,500 kilometers without justification.

31. OIOS review of accident records showed that the Mission conducted investigations of all 107 accidents reported during the audit period. The investigations identified United Nations drivers at fault in 80 cases. However, an in-depth review of four cases showed that: (i) in all of them, the drivers did not submit accident reports within 24 hours as required, and the Claims Unit did not send the cases to the Local Property Survey Board for review; and (ii) in one case, the Transport Unit did not complete the damage/discrepancy report.

32. In 28 out of 1,546 speeding offences reviewed, the Mission implemented the required sanctions in only 8 (29 per cent) cases. For the remaining 20 cases, the Mission had either not taken any action or taken it late, resulting in the personnel concerned repeating the speeding offence or leaving the Mission before any sanctions could be imposed.

33. The above occurred due to absence of adequate oversight of the Office of the Chief of Mission Support of over transport related activities and inadequate monitoring procedures by the Transport Unit to ensure proper completion and approval of trip records, implementation of scheduled vehicle maintenance, handling of accident cases by Mission investigation officers and follow-up and implementation of sanctions for traffic offences in a timely manner.

34. As a result, the cost of liberty trips could not be recovered fully and action was not taken against staff for noncompliance with reporting requirements on liberty trips. The Mission also incurred high costs on vehicle repairs. For example, during the audit period, 13 vehicles were repaired costing, on average, \$10,000 each. Despite road safety campaigns by the Mission, traffic violations and accidents during the audit period remained high at 1,546 and 107 cases, respectively.

(5) UNFICYP should take action to strengthen monitoring and supervision of transport operations. This should ensure, among others, that staff members accurately report duty and liberty trips to facilitate cost recovery and that accountability measures are initiated in cases of noncompliance; vehicle maintenance is performed at the required intervals; traffic accident cases are processed in accordance with established policies; and traffic violations are investigated and sanctions imposed in a timely manner.

UNFICYP accepted recommendation 5 and stated that it had initiated a number of measures such as: installing a web-based application to monitor traffic violations, and an upgraded carlog system to generate and send monthly liberty reports to staff members and supervisors for verification and review; adjusting vehicle service intervals in line with manufacturers' recommendations; and implementing a comprehensive table to monitor maintenance requirements. It had also re-constituted the Traffic Analysis Committee in June 2016 to review and determine administrative penalties for traffic violations. Recommendation 5 remains open pending receipt of supporting documentation on the actions taken by the Mission.

b. Fuel management

Need to implement the electronic fuel management system

35. General Assembly resolution 65/289 requested DFS to implement an electronic fuel management system (eFMS) in peacekeeping missions to standardize fuel management and improve accounting for fuel transactions. Accordingly, DFS required missions to implement eFMS by 2017.

36. UNFICYP had neither implemented eFMS nor developed a plan to implement the system. This was because although UNFICYP was aware of the requirement, it considered the cost (estimated at \$110,000) to be too high. However, personnel of the United Nations Interim Force in Lebanon (UNIFIL), who had successfully implemented eFMS, stated that the UNFICYP estimate of \$110,000 could be significantly reduced with proper planning, especially by reducing the number of fuel stations used by the Mission. In UNIFIL, there were only 13 fuel stations refueling 3,000 vehicles. The UNFICYP cost estimate was based on implementing eFMS at 30 fuel stations refueling 297 vehicles. The Mission was also concerned that it did not have the necessary expertise to implement eFMS. However, other missions like UNIFIL had already implemented eFMS and had in-house expertise that could be used by UNFICYP.

37. Due to absence of eFMS, the Fuel Unit could not establish the expected fuel consumption by vehicle type to monitor against actual consumption. Therefore, the Unit could not accurately identify transactions involving waste or loss through theft. In addition, the Fuel Unit staff spent at least half of their time on manual recording of basic fuel consumption data instead of fuel inspection and analysis.

(6) UNFICYP should establish an action plan to implement the electronic fuel management system and seek expert assistance from other missions to facilitate the implementation in a cost-effective manner.

UNFICYP accepted recommendation 6 and stated that it would commence implementation of the latest version of eFMS by September 2016 with assistance from United Nations Headquarters and UNIFIL. Recommendation 6 remains open pending receipt of confirmation that the Mission has implemented eFMS.

Need to re-assess the configuration of generators for fuel efficiency

38. ACABQ recommended that the Mission make efforts to connect its facilities to the national grid and failing that, to replace existing generators with fuel-efficient generators. DFS best practices for monitoring the efficient utilization of fuel recommends that missions install powerhouses instead of deploying individual generators and also install kilowatt per hour meters on generators to accurately measure their fuel consumption.

39. OIOS review of fuel consumption reports for generators and site visits to six Mission locations showed the following:

- Only 6 of the 85 generators deployed were used to provide electricity on a 24/7 basis. The remaining 79 served as back-up generators and in the past two years, were used for less than one hour a day on average for maintenance reasons;
- None of the generators had a kilowatt per hour meter to accurately measure fuel consumption;

- At UNFICYP headquarters and three of its sectoral headquarters, there were no powerhouses to cluster the required generators for fuel efficiency. Instead the Mission placed many small generators at various locations within the camp; and
- At one location where generators were used on a 24/7 basis, the Mission did not connect to the national grid although available.

40. The above occurred because the Mission had not conducted a review of the configuration of generators in terms of number, size and locations taking into account availability of the national grid and use of solar panels as back-ups against the actual demand for electricity. The post of the Chief Engineer responsible for this review had been vacant for seven months and the incumbent came onboard only in February 2016. As a result, generators were not fuel efficient and the Mission had to spend more time and effort to administer the issuance of fuel and maintenance of 85 generators at different locations.

(7) UNFICYP should review the configuration of its generators in terms of number, size and locations taking into account availability of the national grid and use of solar panels as back-ups to improve fuel efficiency.

UNFICYP accepted recommendation 7 and stated that it had initiated a review process to reconfigure generators at various camps within the Mission area in July 2016. In the 2016/17 financial year, it would construct powerhouses to cluster generators and install kilowatt per hour meters to accurately measure fuel consumption and solar panels at two sectoral headquarters. Recommendation 7 remains open pending receipt of the results of the review on configuration of UNFICYP generators and notification of the completion of other initiatives.

Inadequate staffing capacity resulted in ineffective controls over monitoring of fuel consumption and implementation of safety measures

41. The DPKO/DFS Manual on Fuel Operations requires missions to establish adequate procedures to ensure safe fuel operations and to monitor fuel consumption.

42. OIOS review of fuel records for 12 out of 21 months showed that the Mission conducted the required daily quality control procedures for aviation fuel in storage and fuel trucks. However, although the Manual requires missions to track all fuel issued to generators and to conduct physical dipping of fuel in tanks to monitor fuel consumption, the Mission did not regularly measure fuel levels in generator tanks at the six sites visited. In addition, the Mission did not record the number of jerry cans used to refuel generators and quantities of fuel issued to the jerry cans. As a result, the Mission did not know the actual levels of fuel in storage and was not able to detect fuel theft or losses. For example, comparing the quantities delivered and the reports of fuel issued to generators during the audit period, a total of 17,835 liters of fuel were not accounted for.

43. In addition, visits to 6 of 25 fuel sites and interviews with Mission personnel showed that the Mission did not develop emergency response plans for all 6 sites. At five sites, Mission personnel were not equipped with appropriate protective gear for fuel operations; while at two sites, the Mission placed water type fire extinguishers that were prohibited to be used against fire from fuel. As a result, the Mission's readiness in the event of fire at fuel sites was adversely affected and personnel handling fuel operations were exposed to health and safety risks.

44. The above occurred due to lack of staffing capacity in the Fuel Unit. The Mission did not have a Fuel Officer as prescribed in the Manual. The two staff in the Fuel Unit were national staff who were redeployed from the Supply Unit without any prior experience in fuel operations. Both fuel staff did not

receive appropriate training except for the basic fuel handler training that one of them received. The Mission did not consider the possibility of deploying its qualified military personnel to assist in the fuel operations. Further, although the Manual requires missions without qualified fuel staff to budget and arrange annual inspections of their fuel operations by qualified and accredited third parties, UNFICYP did not make these arrangements in the past two years.

(8) UNFICYP should take action to: (i) strengthen fuel management capacity, including deployment of qualified military personnel; (ii) develop and implement an adequate training programme for fuel staff including accounting of fuel issuance and physical verification; and (iii) budget and arrange for the required annual inspection of fuel operations by qualified and accredited third parties.

UNFICYP accepted recommendation 8 and stated that it would consult with troop contributing countries to strengthen fuel management capacity. The Mission would request for funds in its 2017/18 budget submission to train staff and establish the required annual inspection contract. Meanwhile, any potential savings from the 2016/17 financial year would be utilized in these areas. Recommendation 8 remains open pending receipt of the action plan to strengthen fuel management capacity.

(9) UNFICYP should establish an emergency response plan, conduct fire safety inspections at fuel sites and provide appropriate protective equipment to its personnel handling fuel operations.

UNFICYP accepted recommendation 9 and stated that it would submit a draft emergency response plan to the Chief of Mission Support for approval in August 2016. The Mission had initiated periodic fire safety inspections at fuel facilities. Further, the Mission would purchase and provide appropriate protective gear to its personnel handling fuel operations in 2016/17. Recommendation 9 remains open pending receipt of the emergency response plan, results of fire inspections at fuel sites, and confirmation that Mission personnel have been provided with appropriate protective equipment.

c. Contract management

Contract management for fuel and transport operations needed to be strengthened

45. The United Nations Procurement Manual requires missions to develop performance indicators in accordance with contractual obligations in terms of quality of goods and services, delivery timelines and payment terms, and monitor vendors' performance. The Manual also requires missions to appraise vendors' performance at the end of their contracts, prior to contract extensions or on a yearly basis for contracts exceeding \$200,000 or lasting two or more years. In addition, the Mission is required to establish measures for ensuring that invoiced quantities and prices are duly certified and approved prior to payment. Further, the UNFICYP standard operating procedures on contract management required the Contract Management Unit to support self-accounting units in monitoring contractors' performance.

46. OIOS reviewed 5 of 13 contracts supporting transport and fuel operations, comprising three fuel contracts with not to exceed amounts totaling \$4.8 million, one vehicle rental contract and one vehicle maintenance and repair contract with not to exceed amounts of \$7.7 million and \$0.6 million respectively.

47. The review showed that for three fuel contracts, the Mission had adequate controls to verify and certify fuel quantities and price prior to payment, and also to recover the cost of fuel issued to other United Nations organizations. It also completed the contractors' performance reports prior to contract

extension on a yearly basis, as required. However, the Fuel Unit did not properly assess vendors' achievement of key performance indicators. For example, in two contracts, the Unit assessed that the vendor was fully compliant with the quality standards specified in the contract, without conducting the required quality testing of a sample of fuel delivered. Also, in one contract, the Fuel Unit staff did not assess the contractor's achievement of key performance indicators on timely delivery and product specifications.

48. OIOS review of the vehicle rental contract indicated that the Mission completed the contractor's performance report prior to contract extension but did not prepare the required yearly performance report. Also, the Mission neither reflected the poor performance of the vendor in the report nor invoked liquidated damages when the contractor delivered older vehicles than specified in the contract terms or did not deliver vehicles within stipulated timelines. In addition, the contractor submitted incomplete monthly reports for the period from October 2010 to March 2016. The Mission also extended the contract for another 18 months beyond the approved 4-year contract term and submitted the request to Headquarters Committee on Contracts for review on an ex post facto basis.

49. For the vehicle maintenance and repairs contract, the Mission only completed the contractor's performance report prior to contract extension but did not prepare it on a yearly basis as required. In addition, OIOS review of 96 out of 1,282 invoices during the audit period showed that:

- In three cases, the vendor charged the Mission a price higher than the specified contractual rate for labour cost. As the Mission took the necessary action to recover the overpayment during the audit, OIOS did not make a recommendation; and
- UNFICYP mistakenly failed to include the supply of frequently used spare parts in the contract. However, it took corrective action and included the frequently used parts in the statement of works for the new contract. The current contract will expire in August 2016.

50. The above occurred because the Mission did not have a contract management unit for the past five years. Prior to 2011, the administrative officer in the Chief of Mission Support Office was performing the contract management function. However, following an informal restructuring exercise, this function was transferred to self-accounting units without providing appropriate training to the staff. As a result, the Mission was not getting best value from its contracts, including payment discounts and financial remedies despite poor performance by vendors.

(10) UNFICYP should: (i) re-establish its contract management function; and (ii) provide necessary training to the staff involved in contract management.

UNFICYP accepted recommendation 10 and stated that it would re-establish the Contract Management Unit/Cell by the end of the year using ad hoc measures, and seek dedicated capacity in the 2017/18 budget. The Mission would also provide necessary training to staff involved in contract management. Recommendation 10 remains open pending receipt of documentation evidencing the re-establishment of the contract management function and the training provided to staff involved in contract management.

IV. ACKNOWLEDGEMENT

51. OIOS wishes to express its appreciation to the Management and staff of UNFICYP for the assistance and cooperation extended to the auditors during this assignment.

(Signed) Eleanor T. Burns
Director, Internal Audit Division
Office of Internal Oversight Services

STATUS OF AUDIT RECOMMENDATIONS

Audit of vehicle and fuel management in the
United Nations Peacekeeping Force in Cyprus

Recom. no.	Recommendation	Critical ¹ / Important ²	C/ O ³	Actions needed to close recommendation	Implementation date ⁴
1	UNFICYP should: (i) convene a meeting of the Vehicle Establishment Committee to define and establish the optimal size of its vehicle fleet based on operational requirements; and (ii) develop and implement a cost-effective plan to phase out the 96 rented vehicles and use the savings to replace the old vehicle fleet.	Important	O	Submission of VEC meeting minutes and a plan for phasing out rented vehicles.	1 July 2017
2	UNFICYP should: (i) assign responsibility to monitor compliance with the requirement to report movement of personnel outside Nicosia by road; and (ii) remind its personnel of the requirement and take action to enforce it.	Important	O	Submission of the administrative instruction on reporting movement of personnel.	30 August 2016
3	UNFICYP should: (i) develop and implement a mechanism to recover welfare trip charges from its military personnel; and (ii) explore the possibility of recovering prior period charges.	Important	O	Submission of evidence that a mechanism for collect welfare trip charges has been implemented and recoveries for the financial year 2015/16 (estimated at approximately \$130,000) have been made.	30 June 2017
4	UNFICYP should issue an administrative instruction on the use of official vehicles for liberty and welfare trips and monitor compliance. The instruction should outline the policy to collect liberty charges for private trips in Nicosia and commuting to/from work, discontinue the use of rented vehicles for liberty and welfare trips, and	Important	O	Submission of the administrative instruction on collecting liberty charges for non-duty trips and evidence that it is being complied with.	15 September 2016

¹ Critical recommendations address critical and/or pervasive deficiencies in governance, risk management or control processes, such that reasonable assurance cannot be provided with regard to the achievement of control and/or business objectives under review.

² Important recommendations address important (but not critical or pervasive) deficiencies in governance, risk management or control processes, such that reasonable assurance may be at risk regarding the achievement of control and/or business objectives under review.

³ C = closed, O = open

⁴ Date provided by UNFICYP in response to recommendations.

STATUS OF AUDIT RECOMMENDATIONS

**Audit of vehicle and fuel management in the
United Nations Peacekeeping Force in Cyprus**

Recom. no.	Recommendation	Critical ¹ / Important ²	C/ O ³	Actions needed to close recommendation	Implementation date ⁴
	limit the use of official vehicles for non-duty trips to avoid wear and tear of the Mission fleet.				
5	UNFICYP should take action to strengthen monitoring and supervision of transport operations. This should ensure, among others, that staff members accurately report duty and liberty trips to facilitate cost recovery, and that accountability measures are initiated in cases of noncompliance; vehicle maintenance is performed at the required intervals; traffic accident cases are processed in accordance with established policies; and traffic violations are investigated and sanctions imposed in a timely manner.	Important	O	Submission of supporting documentation on the actions taken by the Mission to strengthen monitoring and supervision of transport operations.	30 September 2016
6	UNFICYP should establish an action plan to implement the electronic fuel management system and seek expert assistance from other missions to facilitate the implementation in a cost-effective manner.	Important	O	Confirmation that the Mission has implemented eFMS	30 June 2017
7	UNFICYP should review the configuration of its generators in terms of number, size and locations taking into account availability of the national grid and use of solar panels as back-ups to improve fuel efficiency.	Important	O	Submission of the results of the review on configuration of UNFICYP generators and notification of the completion of other initiatives.	30 June 2017
8	UNFICYP should take action to: (i) strengthen fuel management capacity, including deployment of qualified military personnel; (ii) develop and implement an adequate training programme for fuel staff including accounting of fuel issuance and physical verification; and (iii) budget and arrange for the required annual inspection of fuel operations by qualified and accredited third parties.	Important	O	Submission of the action plan to strengthen fuel management capacity including training of fuel staff and annual inspection of fuel operations.	1 July 2017
9	UNFICYP should establish an emergency response plan, conduct fire safety inspections at fuel sites	Important	O	Submission of emergency response plans, results of fire inspection at fuel sites and confirmation	30 June 2017

STATUS OF AUDIT RECOMMENDATIONS

**Audit of vehicle and fuel management in the
United Nations Peacekeeping Force in Cyprus**

Recom. no.	Recommendation	Critical ¹ / Important ²	C/ O ³	Actions needed to close recommendation	Implementation date ⁴
	and provide appropriate protective equipment to its personnel handling fuel operations.			that Mission personnel have been provided with appropriate protective equipment.	
10	UNFICYP should: (i) re-establish its contract management function; and (ii) provide necessary training to the staff involved in contract management.	Important	O	Submission of documentation evidencing the re-establishment of the contract management function and the training provided to staff involved in contract management.	31 December 2016

APPENDIX I

Management Response



UNITED NATIONS PEACEKEEPING FORCE IN CYPRUS

P.O. BOX 21642, NICOSIA, CYPRUS – TEL: 357-22-614401 FAX: 357-22-614752

OFFICE OF THE HEAD OF MISSION

TO: Ms. Muriette Lawrence-Hume, Chief,
A: New York Audit Service
Internal Audit Division
Office of Internal Oversight Services

DATE: 11 August 2016

REFERENCE: OSRSG-Audit-2016-14

FROM: Joel Cohen, Officer-in-Charge
DE: of UNFICYP

SUBJECT: **Draft report on an audit of vehicle and fuel management in the United in the**
OBJET: **United Nations Peacekeeping Force in Cyprus (Assignment No. AP2016/654/01)**

1. Reference is made to your memorandum IAD:MO160702 of 26 July 2016 on the subject matter.
2. On behalf of Ms. Elizabeth Spehar, SRSG and Head of Mission of UNFICYP, please find attached the Mission's response to the audit recommendations outlined in Appendix 1 of the above-mentioned draft report.
3. Please do not hesitate to contact us, should you require any additional information on this matter.
4. Thank you and best regards.

Enclosure:

Appendix 1 – Management Response to OIOS audit of vehicle and fuel management in UNFICYP

cc. Ms. Elizabeth Spehar, SRSG and Head of Mission, UNFICYP
Ms. Eleanor T. Burns, Director, Internal Audit Division, OIOS
Ms. Lynn Hastings, Senior Advisor, UNFICYP
Mr. Daeyoung Park, Chief Resident Auditor, Middle East Regional Office, Internal Audit Division, OIOS
Ms. Cynthia Avena-Castillo, Professional Practices Section, Internal Audit Division, OIOS
Ms. Maria Wilkins, Audit Focal Point, UNFICYP

Management Response

Audit of vehicle and fuel management in the United Nations Peacekeeping Force in Cyprus

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	UNFICYP should: (i) convene a meeting of the Vehicle Establishment Committee to define and establish the optimal size of its vehicle fleet based on operational requirements; and (ii) develop and implement a cost-effective plan to phase out the 96 rented vehicles and use the savings to replace the old vehicle fleet.	Important	Yes	Chief of Mission Support	1 July 2017	<p>(i) The Vehicle Establishment Committee (VEC) held a meeting on 14 June 2016 to discuss the review of the Mission's vehicle fleet. A follow-up VEC meeting will be held in August 2016 in order to review the progress on a number of agreed actions and recommendations.</p> <p>Relevant evidentiary documentation will be provided separately to the audit team.</p> <p>(ii) UNFICYP, in its original budget submission for 2016/2017, had included a provision for the scaling down of the rented fleet by 20 per cent, which was reflected in the new rental vehicle contract that</p>

¹ Critical recommendations address critical and/or pervasive deficiencies in governance, risk management or control processes, such that reasonable assurance cannot be provided with regard to the achievement of control and/or business objectives under review.

² Important recommendations address important (but not critical or pervasive) deficiencies in governance, risk management or control processes, such that reasonable assurance may be at risk regarding the achievement of control and/or business objectives under review.

Management Response

Audit of vehicle and fuel management in the United Nations Peacekeeping Force in Cyprus

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
						came into effect in July 2016. UNFICYP will re-evaluate the benefit of gradually replacing leased vehicles with United Nations owned in the context of current and planned future needs, in accordance with the mandate of the Force.
2	UNFICYP should: (i) assign responsibility to monitor compliance with the requirement to report movement of personnel outside Nicosia by road; and (ii) remind its personnel of the requirement and take action to enforce it.	Important	Yes	Deputy Chief of Mission Support	30 August 2016	UNFICYP will issue an Administrative Instruction on the filing of Movement of Personnel forms. The responsibility to monitor compliance with the requirement to report movement of personnel outside Nicosia by road lies with the Section/Unit Chiefs in close coordination with the Surface Transport Section.
3	UNFICYP should: (i) develop and implement a mechanism to recover welfare trip charges from its military personnel; and (ii) explore the possibility of recovering prior period charges.	Important	Yes	Chief of Mission Support/Chief Service Delivery Section	30 June 2017	(i) In close consultation with United Nations Headquarters and relevant Troop Contributing Countries, the Mission will make every effort to recover costs relating to legitimate welfare trips for the financial year 2015/2016 against outstanding troop reimbursement. (ii) In consultation with the

Management Response

Audit of vehicle and fuel management in the United Nations Peacekeeping Force in Cyprus

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
						<p>military component of the Mission, on 29 July 2016, UNFICYP issued a new Mission Circular on the welfare policy for the use of UNFICYP vehicles, as prescribed in the Department of Peacekeeping Operations' Standard Operating Procedure on Welfare and Recreation dated 30 April 2007.</p> <p>Relevant evidentiary documentation will be provided separately to the audit team.</p>
4	UNFICYP should issue an administrative instruction on the use of official vehicles for liberty and welfare trips and monitor strict compliance. The instruction should outline the policy to collect liberty charges for private trips in Nicosia and commuting to/from work, ban the use of rented vehicles for liberty and welfare trips, and limit the use of official vehicles for non-duty trips to avoid wear and tear of the Mission fleet.	Important	Yes	Chief of Mission Support/Chief Service Delivery Section	15 September 2016	In close consultation with United Nations Headquarters, the Mission is currently drafting an Administrative Instruction (AI) outlining the policy on collecting liberty charges for non-duty trips.
5	UNFICYP should take action to strengthen monitoring and supervision of transport operations. This should ensure, among others, that staff members accurately report duty and	Important	Yes	Chief Service Delivery Section	30 September 2016	On 09 June 2016, UNFICYP commenced with the implementation process of the E-permit application to manage driving permits and traffic related

Management Response

Audit of vehicle and fuel management in the United Nations Peacekeeping Force in Cyprus

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
	<p>liberty trips to facilitate cost recovery, and that accountability measures are initiated in cases of noncompliance; vehicle maintenance is performed at the required intervals; traffic accident cases are processed in accordance with established policies; and traffic violations are investigated and sanctions imposed in a timely manner.</p>					<p>violations.</p> <p>In addition, the Mission is in the process of implementing an upgraded Carlog application to generate and send monthly liberty reports to staff members and supervisors for verification and review.</p> <p>Where necessary, UNFICYP has adjusted the vehicle service intervals in line with manufacturer’s recommendations, and new service schedules were indicated in the new Statement of Requirement for all vehicles.</p> <p>Furthermore, UNFICYP has implemented as of 26 May 2016, a single comprehensive table which will capture all maintenance and servicing of vehicles including the details for replaced spare parts.</p> <p>The Mission imposes sanctions based on the existing Standard Operating Procedure on Policy and Measures Relating to the Operation of UNFICYP Vehicles.</p> <p>In addition, the Traffic Analysis Committee (TAC) has been re-</p>

Management Response

Audit of vehicle and fuel management in the United Nations Peacekeeping Force in Cyprus

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						<p>constituted effective June 2016. The Terms of reference of the Traffic Analysis Committee include, among others, the review of all traffic violations reported by the Mission's Force Military Police Unit or Security Office and the determination of administrative penalties to be imposed for the breach of traffic rules and regulations. UNFICYP personnel involved in a car accident are re-assessed for competency of United Nations driving standards.</p> <p>Relevant evidentiary documentation will be provided separately to the audit team.</p>
6	UNFICYP should establish an action plan to implement the electronic fuel management system and seek expert assistance from other missions to facilitate the implementation in a cost-effective manner.	Important	Yes	Chief Service Delivery Section	30 June 2017	<p>UNFICYP has been in contact with United Nations Headquarters to commence with the implementation of the eFuel Management System² application in the Mission.</p> <p>The implementation of eFuel Management System² in UNFICYP will commence in September 2016, with the support of United Nations Headquarters and the assistance from the United Nations Interim Force in Lebanon.</p>

Management Response

Audit of vehicle and fuel management in the United Nations Peacekeeping Force in Cyprus

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
7	UNFICYP should review the configuration of its generators in terms of number, size and locations taking into account availability of the national grid and use of solar panels as back-ups to improve fuel efficiency.	Important	Yes	Chief Engineering Section	30 June 2017	<p>In July 2016, UNFICYP has initiated the review process for configuring its generators in various camps within the Mission.</p> <p>Accordingly, during the financial year 2016/2017, power houses shall be constructed at UNFICYP Headquarters and all Sector Headquarters to cluster generators together to improve operational and fuel efficiency.</p> <p>As part of the Greening Initiative of the Department of Field Support, solar panels shall be installed, by 31 March 2017 in two major Sectors.</p>
8	UNFICYP should take action to: (i) strengthen fuel management capacity, including deployment of qualified military personnel; (ii) develop and implement an adequate training programme for fuel staff including accounting of fuel issuance and physical verification; and (iii) budget and arrange for the required annual inspection of fuel operations by qualified and accredited third parties.	Important	Yes	Chief Service Delivery Section	1 July 2017	<p>(i) The Mission will consult with its military component and Troop Contributing Countries to implement the audit recommendation.</p> <p>Implementation of audit recommendations (ii) and (iii) depend on the availability of funds for training and required annual inspections.</p> <p>Accordingly, the Mission will</p>

Management Response

Audit of vehicle and fuel management in the United Nations Peacekeeping Force in Cyprus

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
						<p>request funds in its budget submission for 2017/2018, for training for fuel staff and for the establishment of the required annual inspection contract of fuel operations, by qualified and accredited third parties.</p> <p>In the meantime, any potential savings from the financial year 2016/17 will be utilized for staff training and required annual inspection of fuel operations by qualified and accredited third parties.</p>
9	UNFICYP should establish an emergency response plan, conduct fire safety inspections at fuel sites and provide the appropriate protective equipment to its personnel handling fuel operations.	Important	Yes	Chief Service Delivery Section	30 June 2017	<p>A draft Emergency Response Plan has been established and was reviewed by UN Headquarters. This plan will be submitted by 11 August 2016 to the Chief of Mission Support of UNFICYP for approval.</p> <p>UNFICYP has initiated a periodic inspection schedule for the Aviation Fuel facility. Two inspections have already taken place since completion of the audit, Concomitantly, the Mission has conducted regular inspection at all</p>

Management Response

Audit of vehicle and fuel management in the United Nations Peacekeeping Force in Cyprus

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
						fuel sites. During the financial year 2015/2016, the Mission acquired several protective items for personnel handling fuel operations. The Mission will acquire additional protective gear during the financial year 2016/2017.
10	UNFICYP should: (i) re-establish its contract management function; and (ii) provide necessary training to the staff involved in contract management.	Important	Yes	Chief of Mission Support	31 December 2016	The Mission intends to establish a Contracts Management Unit/Cell by 31 December 2016 utilizing ad hoc measures (to be accommodated through the temporary redeployment of post(s) for the current budget period). Dedicated capacity for this function will be sought in the context of the financial year 2017/2018 budget. Necessary training will be given to all staff involved in contracts management.